Annual Report 2000 - 2001

Agriculture
Financial Services
Corporation

Finance It. Protect It. Help It Grow

2000-2001 Board of Directors

Robert Splane, *Chairman, Boyle*

Lynn Dechant, *Fairview*

Gene Dextrase, *High Level*

Aaron Falkenberg, *Sherwood Park*

Robert Hymas, *Strathmore*

Bernard Kotelko, *Vegreville*

Brian Manning, *Edmonton*

Gerard Oosterhuis, *Bow Island*

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Frank Blush, *Acting Vice-President, Field Operations*

Rick McConnell, *Vice-President, Research, Information and Development*

Dave Schurman, *Vice-President, Finance and Administration*

Alex Wilkinson, *Vice-President, Information Technology and Administrative Services*

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Mission Statement

We help customers in the developing agri-industry fulfill their business goals by offering unique financial services.

Agriculture Financial Services Corporation

Finance It. Protect It. Help It Grow.

101-07429/

Letter of Transmittal

August 15, 2001

The Honourable Shirley McClellan
Deputy Premier and Minister of Agriculture, Food and Rural Development
408 Legislature Building
Edmonton, Alberta
T5K 2B6

Minister:

On behalf of the Board of Directors, we are pleased to submit the sixth annual report of the Agriculture Financial Services Corporation.

As required by Section 14 of the Agriculture Financial Services Act (S.A. 1993, c.A-12.5) the report contains a summary of the transactions and affairs of the Corporation, its revenues and the application of its expenditures for the fiscal year ended March 31, 2001. The report also contains audited financial statements, including a balance sheet, a statement of revenue, expense and surplus and a statement of cash flows.

Yours truly,

Robert Splane
Chairman of the Board of Directors

Andrew Church
Acting President

Minister's Message

RISK MANAGEMENT. INCOME STABILITY. CAPITAL FOR GROWTH. Agriculture Financial Services Corporation plays a vital role in our province's agriculture industry.

In the intervening years since I served as Associate Minister of Alberta Agriculture, the agri-food industry in our province has made dramatic strides.

It is my pleasure to be returning as Minister at a time when Alberta's agricultural industry is achieving great things and making significant plans for positive changes for the future.

Maintaining the viability of farms and rural communities remains a key priority for this government. My appointment as Deputy Premier of Alberta reflects that commitment. As we move forward, my priorities will be to keep a finger on the pulse of this important industry, to ensure that we continue to bring innovative products and services to the table, and to make changes, when they are required, as quickly as possible.

My passion for this industry is real. I farm along with my family in the New Brigden area, so I can understand first-hand the challenge of facing economic and weather-related factors that are beyond the control of management.

In spite of drought and depressed grain and oilseed prices, 2000 was a record year for the agricultural industry. Alberta's farm cash receipts increased 12.6% over 1999 to a record $7.3 billion. This represents 22.6% of the farm cash receipts for all of Canada. The agriculture industry grew faster here than anywhere else in the country.

Unfortunately, not all sectors shared in this growth. While the livestock sector posted strong results, crop receipts in Alberta fell for the fourth consecutive year. For many farmers raising crops in 2000-01, it was another difficult year – a reminder that affordable food production cannot be taken for granted.

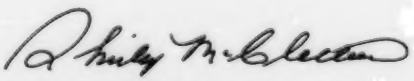
That is why Agriculture Financial Services Corporation (AFSC) plays such an important role in meeting the priorities set out by this government. AFSC provides vital risk management and financial products for primary producers, agribusiness owners and operators, and service companies that support this industry. These products and services are crucial at a time when the doors of opportunity open and close quickly and management is so critical.

Farmers cannot control world grain prices, and they can do little to offset higher input costs such as fertilizer, chemicals and fuel. When farmers were squeezed between prices and costs in 2000-01, AFSC provided a wide range of risk management, income protection and financing tools. AFSC continued to fulfill its mandate to provide unique, responsive business products and services to help Alberta farmers manage production risks and to access capital.

As the needs of farmers change, AFSC continues to be innovative, continuously improving products and services for its customers. This past year included a comprehensive review of crop insurance in Alberta. Based on farmers' feedback, AFSC is enhancing its programs to keep this important risk management tool focused on customer needs, especially the need to insure crops to the level of their input costs.

Alberta is blessed with plentiful natural resources for agriculture: rich soils, abundant water and a climate that is conducive to growing. But, our greatest asset continues to be our people: the men, women and families of Alberta's agri-industry. As Minister, it is my privilege to be in a position – along with AFSC – to help make a difference for these Albertans and keep nurturing an attractive family industry.

Whether it is a new farmer taking over the family farm or a business owner putting value-added products on the shelf, AFSC will continue to develop and deliver innovative risk management tools and financing products to meet customer needs. This is another reason that we – as individuals, as an industry, and as a province – can continue to look forward to the future with optimism.



Shirley McClellan
Minister of Agriculture,
Food and Rural Development

Chairman's Message

A CULTURE OF CONTINUOUS IMPROVEMENT. An essential element of Agriculture Financial Services Corporation's mandate is planning for the future needs of Alberta's farmers and the agri-industry.

As we plan for the future, we are building on a foundation that maintains relevance to the needs of our customers and the industry.

These groups look to AFSC for responsive, cost-effective products and services that are continually improving.

As an example, the Board of Directors recently received a letter from a customer who owns a successful agricultural manufacturing company who thinks AFSC is fulfilling its mandate:

"Thank you for your consideration and for granting us financial assistance when we really needed it most...we would not be existing today if we did not have your support and cooperation. We value highly the assistance and guidance which your staff extended to our new manufacturing operation (and) thank you and your staff again for everything you have done for us. Keep up the good work! We will never forget who helped us..."

BY BEING CONSISTENTLY RELEVANT TO THE NEEDS OF OUR CUSTOMERS, as this customer observes, AFSC has developed a large customer base of approximately 26,000 farmers and agribusinesses. From crop insurance to financing to disaster relief, AFSC products and services have the potential to touch every farmer and agribusiness in the province.

Whether large or small, those in the agri-industry need to understand the underlying competition in the global marketplace. AFSC strives to improve our risk management and financing tools so they are both accessible and affordable to the agri-industry in our province. This year, for example, AFSC implemented a pilot pasture program that uses satellite imagery to determine insurance payments. In the future, we expect new technology will facilitate the delivery of weather-based derivatives to assist customers in managing risk.

THE BOARD OF AFSC HOLDS THE CORPORATION TO A HIGH STANDARD OF MANAGEMENT AND PERFORMANCE, and in 2000-01 this standard was often exceeded when AFSC continued to provide flexible and innovative risk management tools in a fiscally responsible manner. The Board and management continued to closely monitor existing business processes, streamlining and improving where possible. One area that will continue to receive Board and management attention is administrative costs, where we will target to have the least cost ratio in our industry.

For example, with the growing information technology expertise of our people, we will save an estimated $750,000 per year over the next five years as we balance the management of our information technology needs between our private sector provider and our own managers. These process refinements are occurring throughout the Corporation, and are improving service and saving money in many areas.

In 1999-2000, the Board undertook a major review of its governance practices, in accordance with industry standards and the Auditor General's recommendations. In 2000-01, governance issues continued to be a high Board priority, with respect to the Board's mandate, membership, committee structure and expectations of management.

AFSC'S ANNUAL PLANNING PROCESS WAS PARAMOUNT IN 2000-01. It ensured that the business plan continued to provide long-term direction for management. Based on the Auditor General's recommendations, we have refined our business planning processes to align more closely with those of the Ministry.

I WANT TO THANK BRIAN MANNING FOR HIS FIVE YEARS OF OUTSTANDING SERVICE as President and Managing Director of AFSC. We wish him every success in his new capacity as Deputy Minister of Alberta Agriculture, Food and Rural Development.

WE WELCOME ANDREW CHURCH AS ACTING PRESIDENT OF AFSC. Andrew's 28 years of experience and extensive knowledge in business administration and agricultural finance will be valuable assets to the Corporation in his new role.

We look forward to 2001-02, when, with the leadership of the Honourable Shirley McClellan, and the talents and dedication of the Board, management and staff, we will continue to make a difference for the people and the industry we serve. My thanks to everyone who makes this important mission their life's work.

Robert Splane
Chairman

Governance Practices

Statement of Corporate Governance Practices

AFSC is committed to the practice of sound corporate governance. In his 1999 report, the Auditor General of Alberta proposed that governance practices of agencies, boards and commissions should be improved. He also commented that there is limited reporting by boards on their governance practices.

During the past few years, AFSC's Board has concerned itself with specific governance issues and used external expertise to review some of those issues. The Corporation has performed a disciplined review of its corporate governance practices. The Board examined the key governance guidelines adopted by the Toronto Stock Exchange Inc., and reviewed current best practices outlined in governance research for Crown Corporations and not-for-profit organizations.

AFSC has developed a series of guidelines that identify and govern the roles and responsibilities of the Board of Directors.

Mandate of the Board

In addition to fulfilling its statutory requirements, AFSC's Board of Directors has identified the following 12 key areas that it must oversee and monitor:

1. Ensure that the Board is organized with necessary processes to effectively fulfill its mandate;
2. Identify the principal business risks of the Corporation;
3. Protect the Corporation's assets;
4. Establish the strategic course for the Corporation through the annual directional plan;
5. Identify business outcomes and evolve performance expectations and measurement criteria;
6. Ensure that proper internal control mechanisms are in place; ensure the integrity of those internal controls and management information systems;
7. Oversee the management of the Corporation;
8. Monitor performance results and evaluate management performance;
9. Ensure that management development and succession plans are established;
10. Orient new Board members;
11. Develop and monitor a corporate communications plan; and
12. Report results to the Minister and other Corporation stakeholders.

Board Membership

The Board should have the expertise, skills and experience necessary to represent the interests of the Corporation and its stakeholders. The Board currently is composed of eight members, who are all outside directors. The Board meets monthly to conduct the Board business of the Corporation.

Board Committees

Board committees include the Executive Committee, the Audit Committee, the Credit Committee and the Appeal/Review Committee. The Audit Committee and the Appeal/Review Committee must be composed of outside directors only. During the 2000-01 fiscal year, the Executive Committee met seven times, the Audit Committee met seven times, the Credit Committee met 13 times and Appeal or Review hearings were held 14 times.

Each committee has its own terms of reference, job description and reporting requirements. Briefly stated, the Board committee roles are as follows:

- **Executive Committee:** Conduct urgent Board business between regular Board meetings; review governance practices; review committee structure and membership; review Board performance appraisals; and review budget processes.
- **Audit Committee:** Ensure policies and objectives of the Board are integrated in the budget process; review financial statements and obtain management explanations; review internal and external audit processes and controls, and meet with external auditors; and review and recommend financial statements to the Board.
- **Credit Committee:** Authorize loans or guarantees that exceed management discretionary limits and recommend loan policy changes to the Board.
- **Appeal/Review Committee:** Hear appeals of insurance contract holders and decide claims within policy and legislation, and hear reviews of farm loan and FIDP applicants and recommend action to the Board.

Board's Expectations of Management

Under the leadership of the President, management is expected to prepare and implement strategic and tactical plans for the Corporation which incorporate the key goals identified in the Board's directional plan. Management is expected to supervise the day to day operations of the Corporation, achieving predetermined measurable results. Management is expected to establish systems that provide information necessary in the daily direction and management of the Corporation.

As part of its governance discipline and practice, the Board has developed a Board orientation process for new members. A Board Governance Handbook has been developed and Board members are encouraged to use it regularly. The Board has also adopted a code of conduct and ethics that is acknowledged in writing annually. As part of the annual Board evaluation, each Board member also completes a Board Performance Evaluation Questionnaire and a self-assessment of their performance as a director.

Management Commentary

A YEAR OF INNOVATION AND SERVICE. In all business lines, AFSC focused on delivering greater value to our customers.

By definition, most of AFSC's products and services are offered exclusively by AFSC. For farmers, there are no competitive sources of farm income disaster funds. The crop insurance and farm lending products provided by AFSC – to farmers and agribusinesses – are distinctly unique from the products and services of most other financial institutions. AFSC is also the sole provider of a number of production risk management products.

To meet the changing needs of agri-industry, AFSC is managed with a competitive spirit that drives an ongoing search for more innovative ways of doing business.

IN 2000-01, AFSC MANAGEMENT PURSUED THIS DRIVE FOR INNOVATION across all three business lines: insurance and income protection, farm lending and commercial financing.

Insurance and Income Protection.
Better protection with a lower premium.

Crop Insurance has long been a key component of Alberta farmers' risk management toolbox. With the numerous uncertainties faced by many farmers in recent years, Crop Insurance is more important than ever.

AFSC REDUCED THE PREMIUM PAID BY FARMERS BY 30% IN 2000-01 by using the investment income from the Crop Insurance Fund. In another positive change, farmers could access up to 50% of their stated Crop Insurance claim through an advance payment. This innovation was important in getting working capital into farmers' hands at a time of year when trade accounts come due.

In addition to keeping premiums low and creating cash advance options, AFSC improved many aspects of Crop Insurance and the Farm Income Disaster Program (FIDP), and introduced Corn Heat Unit Insurance as a first step in offering weather-based insurance products.

Farm Lending.
Unique services.

It is not AFSC's role to compete directly with other financial institutions when it comes to farm lending. AFSC is a niche player, active in markets where farmers have difficulty finding capital with reasonable terms.

AFSC FOCUSES ON PROVIDING UNIQUE FINANCIAL SERVICES TO THE AGRICULTURE INDUSTRY. Farmers responded positively to changes in AFSC's programs and the provision of financial counselling services, resulting in significant increases in business volumes in the lending area.

During the past few years, the Corporation has been refinancing its borrowing from the Alberta Heritage Savings and Trust Fund. This was substantially completed during 2000-01. The terms of the replacement financing are such that the risk relevant to changes in interest rates has been virtually eliminated. An immediate and sustained increase in interest rates of 1% would result in additional interest rate costs on the loan portfolio of about $200,000 annually. Last year, the risk related to interest rate increases was much higher with the annual cost of a 1% increase being about $20 million.

Commercial Financing.
Focus on flexibility.

ONCE AGAIN IN 2000-01, AFSC COMMERCIAL PLAYED A KEY ROLE in serving Alberta's value-added agri-industry. This sector demands flexible financial options in order to meet growing world demand for its products. AFSC's ability to meet these needs contributed to an increase of 8.6% in the dollar-value of loans facilitated.

AFSC Commercial introduced CULEASE® Financial Services, a new product to help companies in the agri-industry sector find flexible financing options for leasing business equipment.

With its knowledge of agri-industry and solid alliances with other lenders, AFSC Commercial sourced large amounts of syndicated financing with relatively small exposure of AFSC funds. In 2000-01, the group improved its lending leverage ratio to 7-to-1, up significantly from previous year's ratio of 4-to-1. That means more capital to grow Alberta's agri-industry with less risk to AFSC, while bringing other lenders into agriculture.

2000-2001 Corporate Business Plan

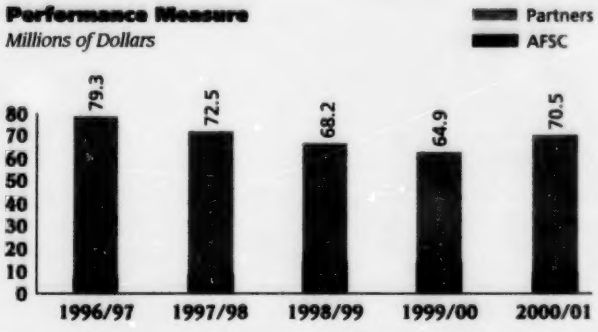
Business Goal 1
AFSC Commercial

AFSC will encourage investment in value-added production through the use of AFSC Commercial services and leveraging AFSC funds.

Progress on Goal:

- Commercial lending facilitated up 8.6% to $70.5 million, exceeding $68.1 million lending target
- 87.5% of project costs were leveraged from alliance partners and investors, with AFSC financing at $8.8 million and alliance partners' investment at $61.7 million
- number of value-added businesses obtaining funding and number of loans to value-added businesses continues to fluctuate with market conditions

Performance Measure
Millions of Dollars



Total Investment for Value-Added Business Facilitated by AFSC Commercial.

Performance Measure	1998-99	1999-00	2000-01
Number of loans disbursed to value-added businesses	72	117	81
Number of value-added businesses obtaining financing through AFSC Commercial	51	79	64

Business Goal 2
Crop Insurance
Straight Hail Insurance
Farm Income Disaster Program

To complement the existing agriculture safety net package by March 31, 2002, AFSC will research, develop and test concepts (including alternative reinsurance initiatives, whole farm production and income insurance, and weather-based production insurance), and develop new and existing products to meet customer needs.

Progress on Goal:

- private sector reinsurance negotiated for Alberta Environment to cover forest fire fighting costs
- Pilot Insurance Program for Native Pasture, using satellite imagery to develop a vegetation index, developed for introduction in crop year 2001
- introduced Corn Heat Unit Insurance, a weather-based program
- introduced Chickpea Insurance for desi and kabuli varieties
- revised Dry Bean Insurance to offer separate plans for five types of dry beans
- revised Potato Insurance to split the processing category into chip and fry potatoes, now offering separate plans for four categories of potatoes
- wheat previously classified as "other wheat" now separated into Canada Western Extra Strong Wheat and Canada Prairie Spring Wheat
- bypass provision changed for processing sweet corn and peas
- Farm Income Disaster Program (FIDP) enhanced to fine-tune eligibility requirements and introduce a simplified 'short' application form

2000-2001 Corporate Business Plan

Performance Measure	2000 01
Percent of research and development time spent on research	39%
Number of stakeholder-common issues (relating to changes in AFSC products) identified	7
Number of recommendations (or proposals) for new or modified production and income risk management programs and products	9

Note: Performance Measure started in 2000/01.

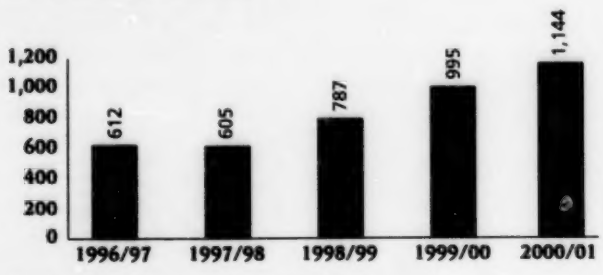
Business Goal 3
Beginning Farmer Loan

To help industry achieve its goals, AFSC will offer unique farm financial services to assist beginning farmers to establish potentially viable farms.

Progress on Goal:

- Beginning Farmer Loans increased to 1,144 loans authorized, 15% over the previous year
- total value of Beginning Farmer Loans authorized increased to $146.7 million, 35% more than the previous year
- 4,018 farmers received financial counselling services from AFSC (baseline year)

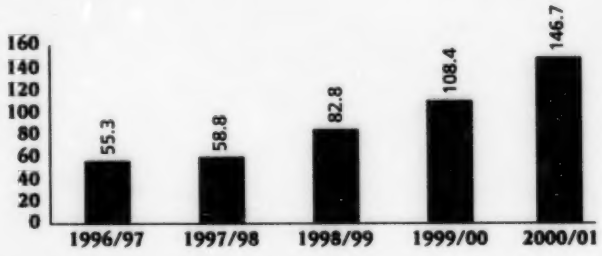
Performance Measure



Number of Beginning Farmer Loans Authorized.

Performance Measure

Millions of Dollars



Dollars Advanced Under Beginning Farmer Loans.

Performance Measure	1998 99	1999 00	2000 01
Number of beginning farmers receiving financial counselling services	*	*	4,018
Number of financial counselling hours provided to beginning farmers	*	*	3,714.5
% of Beginning Farmer Loan customers making payments in a timely manner	97.5%	98.2%	98.8%
% of Beginning Farmer Loan portfolio against which security actions have been undertaken	0.3%	0.3%	0.3%

*Note: Performance Measure started in 2000/01.

Business Goal 4
AFSC Corporate

To meet or exceed customer service expectations 90% of the time by March 31, 2002, AFSC will make improvements to customer service delivery.

Progress on Goal:

- 97.9% of farm lending customers responding to customer satisfaction survey said they would recommend AFSC to somebody else

- 94.0% of commercial lending customers responding to customer satisfaction survey said they were satisfied with delivery of AFSC services
- 90.3% of FIDP customers responding to customer satisfaction survey say they are "satisfied" or "very satisfied" with service delivery

Performance Measure	1998/99	1999/00	2000/01
90% or more of AFSC customers will be satisfied with AFSC service delivery			
• **Beginning Farmer Loan**	97.0%	98.5%	97.9%
• **Farm Income Disaster Program**	*	*	90.3%
• **Commercial Lending**	*	*	94.0%

*Note: Performance Measure started in 2000/01.

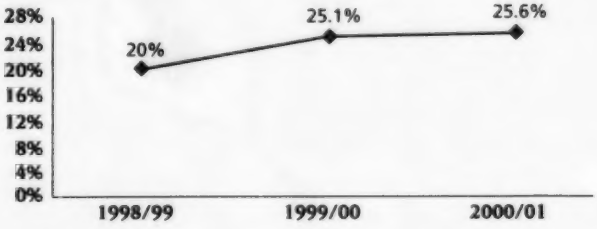
Business Goal 5
AFSC Corporate

To provide greater flexibility in the way financial services are delivered by the end of March 31, 2003, AFSC will have the capability to provide at least 50% of services to customers via electronic means.

Progress on Goal:

- 25.6% of customers accessed AFSC Crop Insurance services electronically
- major changes were made to the Corporation's computer financial accounting packages and insurance application systems
- significant staff training took place on computer system updates
- reorganized information technology under a new Vice-President and developed a three-year information technology strategic plan
- renewed a five-year contract with a private sector information technology outsourcing company to create the infrastructure needed to allow customers electronic access to AFSC services

Performance Measure



Percentage of Customers Accessing Crop Insurance Services Electronically.

Business Goal 6
AFSC Corporate

To improve cost efficiency and grow Alberta, AFSC will market its services to other jurisdictions in Alberta, Canada and internationally.

Progress on Goal:

- signed a contract with the Government of Chile to assist in designing a national crop insurance program
- had business arrangements with the Governments of British Columbia (to administer parts of B.C.'s Whole Farm Income Program) and Canada (to administer Agricultural Income Disaster Assistance top-up payments)

Performance Measure

- realized $1.03 million in additional revenue from these business arrangements

Summary of Operations

"This has been a year of innovation and service for AFSC. In 2000-01, we have remained committed to delivering greater value to our customers. To meet the changing needs of agri-industry, AFSC has put its competitive spirit to work in driving the ongoing search for more innovative ways of doing business."

Andrew Church
Acting President

Summary of Operations

AFSC Insurance and Income Protection – Year in Review

The Canada-Alberta Crop Insurance program is Alberta's major crop protection program.

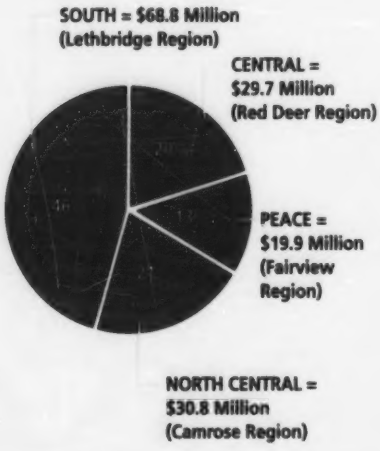
Plans are available on over 60 different crops and a multitude of varieties within each crop through:

- ***Crop Insurance***
- ***Straight Hail Insurance***
- ***Forage Insurance***
- ***Waterfowl and Wildlife Damage Compensation***

The Farm Income Disaster Program (FIDP) is a whole-farm safety net program that provides assistance to farmers whose net margin drops by more than 30%, compared with the average of the best three of the previous five years.

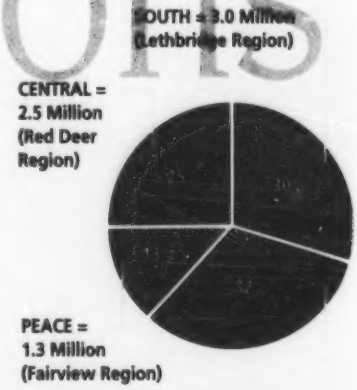
Crop Insurance (Including Hail Endorsement)

CROP INSURANCE IS AVAILABLE FOR HONEY AND ACREAGE SEEDED TO GRAINS AND OILSEEDS, GRAIN CORN, SUGAR BEETS, VEGETABLES AND A NUMBER OF SPECIALTY CROPS. Crop Insurance covers farmers against production-related risks by offering coverage based on a percentage of long-term average yields. Indemnities, when warranted, are paid at a pre-determined price for any short-fall in production that insured farmers sustain as a result of insurable natural perils. The pre-determined price, or 'price option', is set annually before the crop season, and attempts to closely reflect the current year's market price.



Crop Insurance Losses Paid by Area of Province
(Based on Total $149.2 Million, including Hail Endorsement)

In the 2000 crop year, both the number of Crop Insurance contracts and acres insured in the province were up over the previous year, likely due to the 30% premium reduction offered to farmers in 2000. Farmers are also insuring more risk by taking higher coverage levels. It was the first time since the early '90s that AFSC paid more in claims than premiums collected.



Crop Insurance Acres Insured by Area of Province
(Based on Total of 10.0 Million Acres)

Highlights include:

- Crop Insurance purchased on 10 million acres in 2000, up from 1999
- Crop Insurance policyholders insured about 90% of their seeded acreage in 2000, compared to the customary level of 70% to 80% in previous years
- total premiums collected (including Hail Endorsement) fell slightly to $130.4 million from $140.9 million the previous year
- claims paid (including Hail Endorsement) totalled $149.2 million, significantly higher than the previous year's $51.8 million due to severe drought in the south and east parts of the province, higher-than-normal hail insurance claims, rain and frost in northern Alberta
- over 60 private sector reinsurance companies world-wide reinsured AFSC against extreme crop insurance losses (between 115% and 180% of premiums), which reduced government risk by about $88 million in 2000

Forage Insurance

FORAGE INSURANCE OFFERS A SPECIFIC PRODUCTION GUARANTEE TO PRODUCERS MAINTAINING HAY ACRES IN THE PROVINCE. Pasture Insurance was cancelled for the 2000 crop year, but a Pilot Insurance Program for Native

Summary of Operations

Pasture was introduced for the 2001 crop year in limited areas of southern Alberta until enough information could be gathered to determine the viability of a permanent program. Figures below do not include the pasture component.

For the 2000 crop year, overall participation in the Forage Insurance program decreased compared to the previous year because of the absence of the pasture component:

- participation for hay insurance (when compared only to hay contracts the previous year) was up at 1,618 contracts on 350,459 acres
- $4.3 million in Forage premiums collected
- $5 million in Forage claims paid on 752 contracts, or 46% of contracts

Straight Hail Insurance

STRAIGHT HAIL INSURANCE IS AVAILABLE FOR FARMERS AS AFFORDABLE ONE-PERIL COVERAGE. Straight Hail can be taken in addition to Crop Insurance coverage, or on its own. Farmers insure up to a maximum dollar coverage per acre, with losses paid based on the percentage of damage that occurs. The Hail program is entirely self-sustaining and operates without government funding.

Sales for Hail Insurance were down slightly in 2000-01, due to the drought conditions in the southern part of the province. Claims paid were the highest ever in the history of the 68-year program.

Highlights include:

- total 2000 contracts were 7,715, down slightly from 8,129 contracts the previous year, while acres covered remained constant at 4.3 million acres
- $18.2 million in Hail premiums collected (not including Hail Endorsement under Crop Insurance)
- $32.3 million in Hail claims paid
- efficient administration and an adequate operating surplus resulted in a $1.5 million rebate paid back to 7,715 Hail Insurance customers for 2000

Highlights of Insurance Operations

2000 Crop Year	Contracts	Acres (M)	Premiums ($M)	Claims ($M)
Crop Insurance	14,908	10.0	$ 97.1	$ 88.6
Hail Endorsement*	12,090	8.2	$ 33.3	$ 60.6
Forage (excl. pasture)	1,618	.35	$ 4.3	$ 5.0
Straight Hail	7,715	4.3	$ 18.2	$ 32.3
Total			$ 152.9	$ 186.5

* Hail Endorsement is purchased as part of the Crop Insurance policy.

Waterfowl and Wildlife Damage Compensation

THE NO-PREMIUM WATERFOWL AND WILDLIFE DAMAGE COMPENSATION PROGRAM COVERS CROP LOSSES CAUSED BY MIGRATORY WATERFOWL, BIG GAME ANIMALS AND UPLAND GAME BIRDS. Payment covers damaged crop that is either standing or in swaths, or stacked hay subject to certain conditions.

Many crops were susceptible to waterfowl and wildlife damage in 2000 resulting in a total of 1,013 claims totalling $5.5 million, an increase over the previous year's 548 claims totalling $2.1 million. Total claim amount reflects payments to May 30, 2001.

Farm Income Disaster Program

FIDP PROVIDES INCOME SUPPORT TO ACTIVELY FARMING ALBERTA FARMERS WHEN, FOR REASONS BEYOND THEIR CONTROL, THERE IS AN EXTREME REDUCTION IN THEIR FARM INCOME. FIDP is a whole-farm safety net program with all agricultural commodities eligible.

More than 5,900 farmers were paid approximately $130 million, or an average of $22,000 per claim paid, primarily for the 1999 claim year and reassessed claims for the 1998 claim year.

Highlights include:

- to help farmers address immediate cash flow problems, an advance payment of up to 50%

Summary of Operations

of the estimated FIDP entitlement for the claim year was introduced for the 2000 claim year – more than 238 applicants were paid $5.6 million for the 2000 claim year, or an average of about $23,700 per claim paid

- a one-page version of the FIDP application was introduced in 2000 for the 1999 claim year so farmers could complete the FIDP application without an accountant's services
- FIDP worksheets to calculate structural change/expansion adjustments, and reasonableness tests on revenue and feed were made available on the Internet to improve accuracy of claims prepared by accountants
- to speed up Agricultural Income Disaster Assistance (AIDA) payments to Alberta farmers, FIDP staff processed additional entitlements under AIDA for the 1999 claim year – more than 5,400 AIDA claims were processed and nearly 1,900 applicants were paid $11 million, or an average of $6,000 per claim paid
- under a contract with AIDA administration, FIDP staff also processed the B.C. Whole Farm Insurance Program claims for additional entitlements under AIDA
- for the third year in a row, FIDP staff provided claim processing and consulting services for more than 670 claims under the B.C. Whole Farm Insurance Program for the 1999 claim year
- in a 2000 survey of FIDP applicants (for the 1999 claim year) more than 90% of those who responded were satisfied with the services AFSC provided

The Canadian Farm Income Program (CFIP) replaced the Agricultural Income Disaster Assistance (AIDA) program for the claim years 2000 to 2002. CFIP is a national program cost-shared between the federal and provincial government on a 60/40 basis. AFSC staff worked closely with the Governments of Canada and Alberta to develop policies and procedures for CFIP.

To narrow the differences between the CFIP and FIDP rules, several changes to FIDP were introduced, effective for the 2000 claim year.

Significant changes were:

- payments will be calculated as 100% of the first $100,000 of eligible claim amounts (payments were formerly calculated as 100% of the first $50,000, and 50% of the next $100,000)
- the applicant is required to be an Alberta resident during the claim year only – Alberta residency in at least one of the reference years is no longer needed
- provision has been made to adjust the reference margins for an increase or decrease in production capacity in excess of 15% (previously only upward restructuring was included)

SOUTH = $17.1 Million
(Lethbridge Region)
CENTRAL = $15.4 Million (Red Deer Region)
PEACE = $28.8 Million (Fairview Region)
NORTH CENTRAL = $26.4 Million (Camrose Region)

FIDP Claims Paid by Area of Province
(Based on Total of $87.7 Million Paid as of May 31, 2001 for the 1999 FIDP Claim Year)

AFSC Farm Lending – Year in Review

AFSC takes a long-term approach to farm lending by offering loan products with competitive interest rates (usually fixed for the life of the loan), incentives to reduce Beginning Farmer Loan principal or payments, and flexible repayment terms. Financial counselling services are provided to farmers needing help when their financial situation changes. AFSC Farm Lending products include:

- ***Beginning Farmer Loan***
- ***Vendor Mortgage Loan***
- ***Developing Farmer Loan***
- ***Disaster Assistance/Crop Loss Option Loan***
- ***Alberta Farm Income Disaster Loan Program II (program expires June 30, 2001)***
- ***Alberta Farm Development Loan***
- ***Specific Guarantees (on loans from other lenders)***

Summary of Operations

Beginning Farmer and Vendor Mortgage Loans

BEGINNING FARMER LOANS PROVIDE LONG-TERM, FIXED-RATE LOANS FOR NEW ENTRANTS INTO FARMING, GIVING THEM THEIR START IN AGRICULTURE. A Vendor Mortgage Loan allows the seller of a property/operation (usually, but not always, the buyer's parents) to finance a sale by holding the mortgage for the purchaser.

Highlights include:

- total loan amounts for Beginning Farmer increased to $146.7 million, up from $108.4 million the previous year
- a total of 1,144 loans, an increase of 15% in one year, with an average loan amount of about $128,000
- the Beginning Farmer Loan maximum loan limit outstanding per qualifying individual was increased from $200,000 to $500,000
- Vendor Mortgage loans were up from the previous year with three loans for about $200,000

Developing Farmer

DEVELOPING FARMER LOANS HELP PRIMARY PRODUCERS WHOSE FARM OPERATION IS IN A MORE ADVANCED STAGE OF DEVELOPMENT THROUGH LONG-TERM LOANS WITH FIXED RATES OF INTEREST.

Participation in the program declined somewhat in 2000-01:

- the continuation of AFIDLP II (see below) in response to those suffering from agricultural disaster was accessed as an alternate source of financing
- a total of $6.6 million was disbursed for 29 Developing Farmer Loans

Alberta Farm Income Disaster Loan Programs

IN 2000, AFIDLP II WAS INTRODUCED AS A SUCCESSOR TO THE ORIGINAL AFIDLP, AND WAS OFFERED IN RESPONSE TO THE RECENT HARDSHIPS EXPERIENCED BY ALBERTA'S PRODUCERS AS A RESULT OF AGRICULTURAL DISASTERS. When it was first offered in 1999, the program was designed as a short-term emergency measure to help producers regain financial viability. It was used by farmers to restore working capital for their farming operations or to provide financial restructuring after an agricultural disaster. Between April 1, 2000 and March 31, 2001, 352 loans were authorized under both AFIDLP programs for $26.9 million.

Other Guaranteed Loan Programs

Alberta Farm Development Loan guarantees totalled $44.6 million, down from last year's $50.7 million.

Lending Performance

AFSC CONTINUES TO MAINTAIN A WELL-MANAGED PORTFOLIO. Farm accounts in arrears greater than one year was 1.3% of total loans outstanding, down from 2.1% at the close of the previous year. Despite the fact that the loan portfolio increased during the year, the provision for doubtful accounts was decreased. At year end, the allowance for doubtful accounts was 2.9% of the outstanding loan portfolio, a reduction from 3.5% at the end of the previous year.

Farm Financial Counselling

AFSC LOANS OFFICERS HELPED OVER 4,000 FARMERS WITH FINANCIAL COUNSELLING SERVICES TO GUIDE THEM THROUGH CHALLENGES FACING THEIR FARMS. These farmers received help assessing their financial options, restructuring their debt, or working out alternate arrangements with existing creditors.

AFSC Commercial – Year in Review

AFSC Commercial offers a unique portfolio of innovative financing options, financial strategies and market knowledge to Alberta's agri-industry. This includes companies in food processing, commercial-scale intensive livestock production, nutraceuticals, processing of other products sourced from agriculture (e.g. cosmetics or recycled rubber products), as well as manufacturing and services supporting the industry.

To help meet the capital needs of the rapidly expanding agri-industry, AFSC Commercial collaborates with alliance partners from the private

Summary of Operations

and public sectors, like banks and investors, to facilitate financing through:

- ***Syndicated Loans***
- ***Capital Sourcing***
- ***Financial Re-structuring***
- ***Leasing Services***
- ***Senior Debt Financing***
- ***Junior Debt Financing***

AFSC Commercial also supports the growth of developing companies through non-financing means with:

- ***Market Plan Assessments***
- ***Consulting Services***

AFSC HAS SUPPORTED THE DEVELOPMENT OF MANY OF ALBERTA'S AGRI-INDUSTRY LEADERS THROUGH THEIR INNOVATIVE APPROACH TO BUSINESS FINANCING. AFSC Commercial looks at every option to get the best possible financial solution for Alberta agri-industry companies.

In 2000-01, AFSC Commercial helped grow the agri-industry by:

- arranging financing ranging from $10,000 to $20 million per loan to new and expanding agri-industry businesses, such as food processors, farm service companies and processors of other products sourced from agriculture
- lending directly only $8.8 million, thus meeting the government objective of fiscally-responsible government lending (the other 87.5% of new project capital came from external alliance partners and investors)
- providing consulting services to 16 agribusiness companies on a fee-for-service basis

Number of Businesses AFSC Commercial Assists with Financing Each Year

Business Type	1996-97	1997-98	1998-99	1999-00	2000-01
Food Processors	7	14	26	43	31
Non-food Processors	3	1	2	7	4
Farm Services	11	10	15	26	24
Other	5	7	8	3	5
Total	26	32	51	79	64

AFSC Human Resources – Year in Review

A successful business needs employees who feel satisfied with their work and valued by their employer. AFSC sees their staff as a valuable resource – whether they are providing a service to a customer in the field, or refining computer skills to enhance our business administration.

In a recent survey, 98% of responding AFSC employees told us they feel they are accomplishing valuable work for Alberta farmers and agribusinesses.

As a further indication of job satisfaction, AFSC's absenteeism continues to be low. The average number of days of sick leave used per employee was 5.3 for 2000, compared to the national average reported by Statistics Canada of 8.1.

Performance Measure	1998-99	1999-00	2000-01
Percentage of AFSC employees who say they are satisfied	81.7%	86.7%	87.1%

Summary of Activities

Summary of Lending

	Authorizations 2000/2001		Authorizations 1999/00		Accumulated Authorizations June 1972 - March 2001		Active and Outstanding March 31, 2001	
	No.	$M.	No.	$M.	No.	$M.	No.	$M.
Farm Direct Loans								
Beginning Farmer	1,144	146.7	995	108.4	18,895	2,012.5	9,028	680.7
Developing Farmer	29	6.6	61	7.3	523	48.2	221	23.8
Disaster Assistance	352	26.9	311	23.3	2,112	139.5	776	51.4
Other	0	0.0	0	0.0	5,289	278.9	432	10.8
Subtotal	**1,525**	**$180.2**	**1,367**	**$139.0**	**26,819**	**$2,479.1**	**10,457**	**$766.7**
Farm Guarantees								
Specific Guaranteed Loans	0	0.0	0	0.0	2,390	105.4	7	0.8
Alberta Farm Development Loans	1,653	44.6	1,994	50.7	166,653	2,194.5	7,354	130.9
Vendor Mortgage Loans	3	0.2	2	0.4	92	9.4	62	5.2
Implemented Guaranteed Loans	0	0.0	0	0.0	0	0.0	23	0.3
Subtotal	**1,656**	**$44.8**	**1,996**	**$51.1**	**169,135**	**$2,309.3**	**7,446**	**$137.2**
TOTAL FARM	**3,181**	**$225.0**	**3,363**	**$190.1**	**195,954**	**$4,788.4**	**17,903**	**$903.9**
Commercial								
Direct Loans	34	8.8	58	11.1	501	180.3	171	34.2
Specific Guaranteed Loans	0	0.0	4	1.7	507	204.8	1	0.6
Canada-Alberta Partnership on Agri-food	0	0.0	0	0.0	69	17.4	11	0.8
Local Opportunity Bonds	0	0.0	0	0.0	3	2.1	2	1.1
Federal Lending Sources	12	23.7	13	4.7	62	82.0	26	22.9
Other	35	26.8	42	29.3	109	127.1	3	8.2
Total Commercial	**81**	**$59.3**	**117**	**$46.8**	**1,251**	**$613.7**	**214**	**$67.8**
CORPORATE GRAND TOTAL	**3,262**	**$284.3**	**3,480**	**$236.9**	**197,205**	**$5,402.1**	**18,117**	**$971.7**

Summary of Farm Income Disaster Program

Details of payments made as of May 31, 2001

Claim Year	Number of Claims Received	Number of Claims Paid	Amount Paid in $M.
2000	1,199	496	15.2
1999	6,354	4,070	87.7
1998	8,132	6,544	148.7
1997	3,893	3,143	55.7
1996	4,572	3,625	57.8
1995	6,000	4,951	63.9

For the 1999 claim year, 244 claims are in the process of verification. The deadline for submission of FIDP applications for the 2000 claim year is July 31, 2001. The figures for the 2000 claim year do not represent the entire claim year.

Summary of Activities

Summary for Crop Insurance by Crop Year

As of May 30, 2001 Crop Year	Number of Contracts	Acres ,000	Risk $,000	Premium $,000	Number of Losses	Loss $,000	Loss/ Premium Percent
1996	14,303	7,311	785,076	87,937	4,143	33,989	38.7
1997	15,464	8,493	899,170	99,972	5,888	52,196	52.2
1998	15,470	9,469	971,948	105,487	5,364	60,806	57.6
1999	14,786	9,449	1,013,983	103,915	3,160	28,957	27.9
2000	14,908	10,014	$919,453	$97,071	6,380	$88,623	91.3

Summary for Hail Endorsement by Crop Year

As of May 30, 2001 Crop Year	Number of Contracts	Acres ,000	Risk $,000	Premium $,000	Number of Losses	Loss $,000	Loss/ Premium Percent
1996	9,738	5,068	565,762	29,991	1,847	19,268	64.2
1997	11,154	6,226	691,816	39,154	1,884	17,215	44.0
1998	11,669	7,012	754,070	40,815	2,010	25,309	62.0
1999	11,145	7,106	797,952	37,008	2,036	22,799	61.6
2000	12,090	8,213	$784,465	$33,269	3,863	$60,605	182.2

Summary for Forage Insurance by Crop Year

As of May 30, 2001 Crop Year	Number of Contracts	Acres ,000	Risk $,000	Premium $,000	Number of Losses	Loss $,000	Loss/ Premium Percent
1996	1,952	1,135	17,960	4,413	541	1,530	34.7
1997	1,641	1,010	15,213	3,618	432	2,084	57.6
1998	2,447	2,740	45,454	9,355	1,780	14,530	155.3
1999	2,377	2,312	41,532	8,774	989	6,229	71.0
2000	1,618	350	$19,528	$4,325	752	$4,950	114.4

Summary for Straight Hail Insurance by Crop Year

As of May 30, 2001 Crop Year	Number of Contracts	Acres ,000	Risk $,000	Premium $,000	Number of Losses	Loss $,000	Loss/ Premium Percent
1996	12,518	6,346	662,272	31,802	1,819	19,157	60.2
1997	9,735	4,836	474,113	24,092	1,369	10,239	42.5
1998	9,177	4,824	454,518	22,401	1,174	11,696	52.2
1999	8,129	4,415	424,822	19,832	1,278	11,014	55.5
2000	7,715	4,252	$410,079	$18,189	2,307	$32,314	177.7

Waterfowl/Wildlife Compensation Program by Crop Year

As of May 30, 2001 Crop Year	Wildlife Number of Losses	Loss $,000	Waterfowl Number of Losses	Loss $,000	Total Number of Losses	Loss $,000
1996	1,498	4,393	1,367	6,645	2,865	11,038
1997	418	2,108	706	3,106	1,124	5,214
1998	142	407	103	252	245	659
1999	155	636	393	1,497	548	2,133
2000	382	$2,497	631	$2,990	1,013	$5,487

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36 Schedule of Administration Expense

37 Schedule of Salaries and Benefits

Financial Statements

"We are always striving to provide relevant products and services, with an eye towards delivering in a financially responsible manner. We do that by continually reviewing and refining our business processes as we find new ways to enhance our customer's experience. These process refinements are occurring throughout the Corporation, and are improving service and saving money in many areas."

Dave Schurman
Vice-President,
Finance and Administration

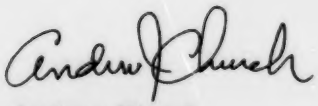
Management's Responsibility *for* Financial Reporting

The preparation of these financial statements, management's discussion and analysis and all other financial information relating to the Corporation contained in this annual report is the responsibility of management. The financial statements have been prepared in conformity with Canadian generally accepted accounting principles, using methods appropriate for the industry in which the Corporation operates and necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

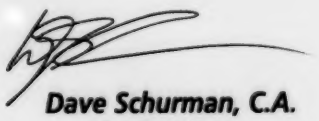
Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and to ensure corporate assets are safeguarded and liabilities are recognized. These control systems are subject to periodic review by the Corporation's internal auditors.

The Alberta Auditor General is responsible to express a professional opinion on these financial statements.

The Board of Directors Audit Committee, composed of non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, the internal auditors and the independent auditors to discuss auditing and financial matters, gain assurance that management is carrying out its responsibilities and to review and approve the financial statements. The auditors have full and free access to the Audit Committee.



Andrew Church
Acting President



Dave Schurman, C.A.
Vice-President,
Finance and Administration

Auditor's Report

AUDITOR GENERAL *Alberta*

Alberta Legislature
Office of the Auditor General

To the Board of Directors of the Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2001 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine
FCA
Auditor General
Edmonton, Alberta
May 18, 2001

Balance Sheet

As at March 31, 2001

(in thousands)

	2001	2000
Assets		
Cash (Note 2(b))	$ 43,464	$ 23,166
Accounts receivable (Note 4)	11,643	4,916
Due from Province of Alberta	14,004	71,174
Due from Government of Canada	80,857	147,712
Loans receivable (Notes 2(l), 5)	807,236	710,202
Investments (Note 6)	411,802	439,093
Property held for sale (Note 7)	174	41
Capital assets (Note 8)	16,714	17,363
	$ 1,385,894	$ 1,413,667
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 40,623	$ 18,462
Estimated indemnities payable (Notes 2(l), 9)	114,570	226,638
Due to Crop Reinsurance Fund of Alberta (Note 10)	53,518	53,528
Allowance for losses on loan guarantees (Note 18)	1,961	2,649
Debentures and notes payable (Note 11)	777,408	684,889
Deferred Revenue (Note 12)	19,415	19,667
	1,007,495	1,005,833
Surplus (Note 3(c))	378,399	407,834
	$ 1,385,894	$ 1,413,667

The accompanying notes and schedules are part of these financial statements.

Approved by the Board:

Bernard Kotelko
Director

Robert Splane
Chairman

Statement of Revenue, Expense *and* Surplus

For the year ended March 31, 2001

(in thousands)

	2001		2000
	Budget (Note 3(a))	Actual (Schedule 1)	Actual
Revenue			
Premiums from insured persons, net (Notes 13, 14)	$ 73,723	$ 52,287	$ 66,563
Interest (Note 15)	56,597	57,620	50,646
Contribution from Province of Alberta, net (Note 14)	247,463	75,542	202,416
Contribution from Government of Canada, net (Note 14)	49,732	61,433	153,569
Investment income	19,194	29,988	20,912
Fees and other income	4,692	2,924	4,464
Amortization of loan discounts	869	548	1,081
	452,270	280,342	499,651
Expense			
Indemnities (Note 14)	315,373	205,855	301,724
Interest	60,102	53,251	46,822
Administration, Schedule 2	43,216	43,588	39,387
Farm loan incentives	4,921	6,966	5,637
Selling commissions	2,013	1,877	1,611
Provision for doubtful accounts and for losses (Note 17)	4,020	(1,896)	6,394
	429,645	309,641	401,575
(Deficiency) excess of revenue over expense before recoveries	22,625	(29,299)	98,076
Net recoveries, Schedule 1	–	(136)	51
(Deficit) surplus for the year	$ 22,625	(29,435)	98,127
Surplus at beginning of year		407,834	309,707
Surplus at end of year		$ 378,399	$ 407,834

Balance Sheet

As at March 31, 2001

(in thousands)

	2001	2000
Assets		
Cash (Note 2(b))	$ 43,464	$ 23,166
Accounts receivable (Note 4)	11,643	4,916
Due from Province of Alberta	14,004	71,174
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Property held for sale (Note 7)	174	41
Capital assets (Note 8)	16,714	17,363
	$ 1,385,894	$ 1,413,667
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 40,623	$ 18,462
Estimated indemnities payable (Notes 2(l), 9)	114,570	226,638
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	1,007,495	1,005,833
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	$ 1,385,894	$ 1,413,667

The accompanying notes and schedules are part of these financial statements.

Approved by the Board:

Bernard Kotelko
Director

Robert Splane
Chairman

Statement of Revenue, Expense *and* Surplus

For the year ended March 31, 2001

(in thousands)

	2001		2000
	Budget (Note 3(a))	Actual (Schedule 1)	Actual
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Net recoveries, Schedule 1	–	(136)	51
(Deficit) surplus for the year	$ 22,625	(29,435)	98,127
Surplus at beginning of year		407,834	309,707
Surplus at end of year		$ 378,399	$ 407,834

Statement of Cash Flows

For the year ended March 31, 2001

(in thousands)

	2001	2000
Operating activities		
(Deficit) surplus for the year	$ (29,435)	$ 98,127
Changes not affecting cash	(964)	(2,137)
Changes in assets and liabilities relating to operations	22,892	(18,513)
Net cash (utilized) provided by operating activities[1]	(7,507)	77,477
Investing activities		
Proceeds from repayments of loans receivable and sale of properties	88,893	88,392
Loan disbursements	(182,291)	(135,363)
Net change in investments	36,576	(79,965)
Purchase of capital assets	(2,092)	(6,701)
Proceeds on disposal of capital assets	42	19
Net cash utilized by investing activities	(58,872)	(133,618)
Financing activities		
Borrowing from the Province of Alberta	2,200,668	861,758
Repayment of borrowing from the Province of Alberta	(2,115,956)	(826,303)
Government of Canada funding for capital assets	594	2,799
Province of Alberta funding for capital assets	1,371	3,648
Net cash provided by financing activities	86,677	41,902
Net increase (decrease) in cash from operating, investing and financing activities	20,298	(14,239)
Cash at beginning of year	23,166	37,405
Cash at end of year	$ 43,464	$ 23,166

[1] Net cash provided by operating activities includes $48,086,990 (2000 $47,892,712) of interest paid.

Statement of
Cash Flows

[redacted]

(in thousands)

	2001	2000
Operating activities		
(Deficit) surplus for the year	$ [redacted]	$ 98,127
Changes not affecting cash	[redacted]	(2,137)
Changes in assets and liabilities relating to operations	[redacted]	(18,513)
Net cash (utilized) provided by operating activities[1]	[redacted]	77,477
Investing activities		
Proceeds from repayments of loans receivable and sale of properties	[redacted]	88,392
Loan disbursements	[redacted]	(135,363)
Net change in investments	[redacted]	(79,965)
Purchase of capital assets	[redacted]	(6,701)
Proceeds on disposal of capital assets	[redacted]	19
Net cash utilized by investing activities	[redacted]	(133,618)
Financing activities		
Borrowing from the Province of Alberta	[redacted]	861,758
Repayment of borrowing from the Province of Alberta	[redacted]	(826,303)
Government of Canada funding for capital assets	[redacted]	2,799
Province of Alberta funding for capital assets	[redacted]	3,648
Net cash provided by financing activities	[redacted]	41,902
Net increase (decrease) in cash from operating, investing and financing activities	[redacted]	(14,239)
Cash at beginning of year	[redacted]	37,405
Cash at end of year	$ [redacted]	$ 23,166

[1] Net cash provided by operating activities includes $48,086,990 (2000 $47,892,712) of interest paid.

Notes *to the* Financial Statements

March 31, 2001

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the Agriculture Financial Services Act, Chapter A-12.5, 1993.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and farm income disaster payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business planning/counseling. The Corporation acts as the Alberta agent for commercial lending for the federal Farm Credit Corporation.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Interest revenue on loans receivable is recognized as earned unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized.

Premiums, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for capital asset acquisitions are recorded as deferred revenue until that revenue is recognized on the same schedule as those capital assets are amortized.

Loan application fees are recognized when the applications are received and loan fees are recognized at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(b) Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of CCITF earnings, which varies depending on prevailing market interest rates.

(c) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Estimated indemnities payable and Due to Crop Reinsurance Fund of Alberta. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of Loans receivable, Investments, Debentures and notes payable are disclosed in their respective notes.

(d) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(e) *Capital Assets and Amortization*

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Computer equipment	5 years
Software development costs	10 years
Equipment and furniture	10 years
Vehicles	5 years

(f) *Property Held for Sale*

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Corporation obtains title to the property plus subsequent disbursements related to the property less any revenues or lease payments received.

(g) *Provision for Losses on Loans and Guarantees*

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

The majority of the Corporation's loan portfolio is with beginning and developing agricultural operations and hence, is subject to higher risk than portfolios of other lenders. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages and applies them to loans receivable balances categorized into risk pools. Risk pools are established based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(h) *Loan Discounting*

Loans made under the Alberta Farm Income Disaster program, Canada-Alberta Partnership on Agri-food program, and amounts previously deferred under the Indexed Deferral Plan have been discounted because they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(i) *Pensions*

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(j) *Reinsurance Ceded*

Premiums, Contributions from the Province of Alberta, Contributions from the Government of Canada and Indemnities are recorded net of amounts ceded to or recoverable from reinsurers.

(k) *Transactions with Related Parties*

All related party transactions have been recorded at the amount of consideration paid or received as agreed to by the related party, except for donated services.

(l) *Measurement Uncertainty*

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Estimated indemnities payable, recorded as $114,569,649 in these financial statements, is subject to measurement uncertainty.

Estimated indemnities payable consist of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

The Corporation implemented the Farm Income Disaster Program for the 1995 claim year. The Program may pay a farm business when it experiences a disastrous drop in margins on farm operations. If the program margin for the farming business falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. Applications can be submitted for the 2000 tax year until July 31, 2001 and indemnities are paid after applications are received and approved.

The Corporation has recorded a liability to provide for estimated indemnities payable under the Farm Income Disaster Program (Note 9). Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of the 2000 tax year applications are received. It is also difficult to predict

the estimated indemnities payable because of the wide variation in the impact disasters have on individual farm gross margins. The estimated indemnities payable may be as low as $81,000,000 or as high as $121,000,000. Indemnities payable under the Program are limited to a maximum of $200,000,000 for claims from producers who have year ends in any fiscal year.

Loans receivable, recorded as $807,236,469 in these financial statements, is subject to measurement uncertainty. Loans receivable have been reduced by a provision of $24,452,519 for losses on loans. The provision estimated by management (see Note 2 (g)) could change significantly in the future, leading to a material change in provisions for losses.

Note 3 Financial Structure

(a) The budget reflects contributions from the Province of Alberta of $251,210,051 which was authorized through the Legislative Assembly. That budget was approved by the Board of Directors on January 27, 2000 and the detailed administration cost budget was approved by the Board of Directors on June 22, 2000.

The contribution from the Province of Alberta was adjusted by $3,746,524 for ceded reinsurance and deferred revenue.

(b) ***Insurance, Safety Net and Compensation Programs***
Programs administered by the Corporation are funded as follows:

	Premiums	Indemnities	Administration Costs
Crop Insurance	20% Producers	Premiums, Crop	50% Alberta
Coverage up to 50%[1] of risk	40% Alberta 40% Canada	Insurance Fund, Private Sector Reinsurance	50% Canada
Coverage greater than 50% and Hail Endorsement	50% Producers 29% Alberta 21% Canada	and Government Reinsurance Funds	
Farm Income Disaster	N/A	52% Alberta[2] 48% Canada[2]	45% Alberta 55% Canada
Hail Insurance	100% Producers	Premiums, Private Sector Reinsurance and Hail Insurance Fund	100% Producers
Wildlife Compensation	N/A	60% Alberta 40% Canada	50% Alberta 50% Canada

(1) Coverage does not include hail endorsement.

(2) Based on the Federal-Provincial Agreement establishing the Canadian Farm Income Program, the Government of Canada and the provincial governments have agreed to fund an agricultural disaster program called the Canadian Farm Income Program (CFIP). It has been further agreed that Alberta's Farm Income Disaster Program (FIDP) will be used to deliver the majority of this assistance in Alberta. The Government of Canada funding will be subject to an appropriation of funding by Parliament for each of 2000, 2001 and 2002 claim years covered by the Agreement. An appropriation in the amount of $435,000,000 for all provinces was authorized for this fiscal year. The approved appropriation will be reduced by the costs of the Spring Cash Advance Program.

The Crop Insurance program is administered in accordance with an agreement between the Province of Alberta and the Government of Canada. The agreement determines what adequate balances are for the crop insurance and reinsurance funds, the percentage of premiums to be transferred to these funds if required and how indemnities are paid from each of these funds. During the years ended March 31, 2000 and March 31, 2001, no premium transfers were required by the agreement because fund balances were deemed adequate to meet indemnity payments.

(c) In accordance with an agreement between the Province of Alberta and the Government of Canada, the crop insurance fund, which is the major portion of the surplus, is restricted to being used for crop insurance purposes.

(d) ***Lending Programs***
The Corporation's loans are funded by short- and long-term borrowing from the Province of Alberta. An agreement with the Province provides for the Corporation to obtain financing from the Province on the same terms at which the Province borrows that money. The Corporation has a maximum line of credit of $900,000,000. Prior to April 1, 1995, loans were funded through debentures issued to the Alberta Heritage Savings Trust Fund. The Corporation's lending operations are funded by customers and by contributions from the Province of Alberta.

Note 4 Accounts Receivable

	2001	2000
	(in thousands)	
Premiums from insured persons:		
Crop Insurance program	$ 3,117	$ 2,775
Hail Insurance program	106	255
Farm Income Disaster Program Fees	1	750
Other	8,552	1,330
	11,776	5,110
Less allowances for doubtful accounts (Note 17)	(133)	(194)
	$ 11,643	$ 4,916

Note 5 Loans Receivable

Assuming that options to renew will be exercised, loans are repayable in installments due as follows:

	2001	2000
	(in thousands)	
Arrears of principal and interest	$ 9,527	$ 12,611
Principal due in: Year(s) 1	56,323	50,676
2	59,854	53,495
3	60,295	53,421
4	59,788	53,453
5	58,858	52,696
6-10	261,994	232,033
over 10	241,619	204,521
Amounts deferred under the Indexed Deferral Plan	5,314	5,999
	813,172	718,905
Accrued interest	25,903	23,010
	839,075	741,915
Allowance for doubtful accounts (Note 17)	(24,453)	(26,084)
Accrued incentives	(2,630)	(2,335)
Loan discounts	(4,756)	(3,294)
	$ 807,236	$ 710,202

Included in the above are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2001	2000
	(in thousands)	
Alberta Farm Income Disaster Loans	$ 44,560	$ 15,883
Indexed Deferral Plan	5,314	5,999
Canada-Alberta Partnership on Agri-food	454	2,001
	$ 50,328	$ 23,883

The allowance for doubtful accounts of $24,452,519 (2000 $26,084,000) includes a specific allowance for $2,825,092 (2000 $2,538,000) on impaired loans outstanding of $11,216,822 (2000 $14,856,000), excluding unamortized loan discount.

The approximate fair value of loans receivable at March 31, 2001 is $733,850,116 (2000 $642,451,000). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 6 Investments

	2001	2000
	(In thousands)	
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 214,904	$ 281,430
Other provincial direct and guaranteed	124,689	92,561
	339,593	373,991
Fair value	*350,957*	*378,538*
Securities:		
Corporate	66,212	57,097
Fair value	*69,735*	*58,005*
	405,805	431,088
Accrued interest	5,997	8,005
	$ 411,802	$ 439,093
Fair value	*$ 420,692*	*$ 436,543*

Fair value is based on quoted market prices including accrued interest.

Note 7 Property Held for Sale

Property held for sale has been acquired as a result of foreclosures, quit claims and other actions.

	2001	2000
	(In thousands)	
Cost of property	$ 1,027	$ 879
Less allowance for losses on realization (Note 17)	(853)	(838)
Estimated net realizable value	$ 174	$ 41

Note 8 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(In thousands)		
Land	$ 115	$ –	$ 115	$ 115
Building	2,919	938	1,981	2,098
Computer equipment	5,291	3,807	1,484	1,345
Software development costs	14,566	2,831	11,735	12,371
Equipment and furniture	2,280	1,304	976	979
Vehicles	1,166	743	423	455
	$ 26,337	$ 9,623	$ 16,714	$ 17,363

Note 9 Estimated Indemnities Payable

	2001	2000
	(In thousands)	
Farm Income Disaster Program	$ 110,429	$ 226,350
Crop Insurance	2,929	268
Hail Insurance	187	–
Wildlife Compensation	1,025	20
	$ 114,570	$ 226,638

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Note 9 Estimated Indemnities Payable

	2001	2000
	(in thousands)	
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Crop Insurance	2,929	265
Hail Insurance	187	
Wildlife Compensation	1,025	20
	$ 114,570	$ 226,635

Note 10 Crop Reinsurance Funds

The provincial fund, called the Crop Reinsurance Fund of Alberta, is invested by the Corporation on behalf of the Province of Alberta and, accordingly, is shown as a liability of the Corporation to the Province. This liability of $53,518,000 (2000 $53,528,000) is equal to the closing surplus in the fund. The federal fund, called the Crop Reinsurance Fund of Canada for Alberta, is held by Canada.

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2001	2000	2001	2000
	(in thousands)		(in thousands)	
Opening surplus	$ 53,528	$ 53,564	$ 77,235	$ 77,306
Current year contributions	(10)	(36)	(10)	(71)
Closing surplus	$ 53,518	$ 53,528	$ 77,225	$ 77,235

Note 11 Debentures and Notes Payable

Debentures payable and notes payable to the Province of Alberta are comprised of the following:

	Calendar Year of Maturity	Weighted Average Interest Rate	Principal Outstanding	
			2001	2000
			(in thousands)	
Debenture A	2004	9.95%	30,120	39,720
Debenture C	2005	–	–	28,000
Debenture D	2006	8.25%	21,000	48,500
Debenture E	2006 - 2007	7.41%	46,200	52,800
Debenture H	2010 - 2011	–	–	64,310
Debenture K	2011	–	–	30,135
Debenture L	2001 - 2002	7.37%	7,476	21,237
Total due to Alberta Heritage Savings and Trust Fund			104,796	284,702
Short-term notes	2000 - 2001	4.71%	28,716	148,218
Note payable 01	2011	7.56%	20,066	21,279
Note payable 02	2010	5.58%	43,748	46,973
Note payable 03	2013	5.39%	42,845	45,192
Note payable 04	2013	5.39%	30,512	32,164
Note payable 05	2016	6.52%	95,351	98,923
Note payable 06	2010	5.90%	97,798	–
Note payable 07	2016	5.94%	24,500	–
Note payable 08	2016	5.86%	49,287	–
Note payable 09	2011	5.57%	149,576	–
Note payable 10	2005	5.23%	25,000	–
Note payable 11	2003	4.81%	26,453	–
Note payable 12	2004	5.05%	25,963	–
Total due to Department of Finance			659,815	392,749
Accrued interest			764,611	677,451
			12,797	7,438
			$ 777,408	$ 684,889

Notes Payable include net unamortized discounts of $3,125,778 (2000 $5,573,228).

Principal repayments due in each of the next five years are as follows:

	(in thousands)
Year ending March 31, 2002	$ 157,713
2003	$ 36,184
2004	$ 79,032
2005	$ 74,462
2006	$ 62,257

The approximate fair value at March 31, 2001 is $779,103,000 (2000 $685,005,000). Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

(a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a premium for periodic interest reset features,

(c) a factor to reflect the blended payment structure of the debentures and notes.

Note 12 Deferred Revenue

	2001	2000
	(in thousands)	
Province of Alberta capital asset grants	$ 8,415	$ 8,637
Government of Canada capital asset grants	5,732	6,057
Deferred Canada-Alberta Partnership on Agri-food (CAPA) contributions	3,379	3,382
Premiums from insured persons	1,889	1,591
	$ 19,415	$ 19,667

Note 13 Premiums

Because the balances in the crop insurance and reinsurance funds are deemed adequate to cover potential losses, investment income earned on the Crop Insurance Fund and the Crop Reinsurance Fund of Alberta were used to provide a 30% reduction in producers' premiums for the 2000 crop year which amounted to $16,455,664. The reduction will be repeated for the 2001 crop year.

Note 14 Reinsurance

In addition to the protection provided by the crop insurance and crop reinsurance funds and the hail insurance fund, the Corporation has obtained reinsurance from non-government sources. For Crop Insurance, reinsurance was obtained covering 100% of losses between 115% and 180% of gross premiums with a maximum dollar limit of $117,000,000.

The Corporation has also obtained reinsurance for above average crop loss adjusting expenses.

For Hail Insurance, a layer of reinsurance was obtained which covers 97.5% of losses between 125% and 150% of gross premiums paid by insured persons with a dollar limit of $6,337,500.

The Contribution from Province of Alberta and Contribution from Government of Canada on the Statement of Revenue, Expense and Surplus include contributions for administration expenses as well as premiums. The figures shown on the Statement of Revenue, Expense and Surplus are net of the following amounts relating to reinsurance ceded to other reinsurers. The Corporation realized a rebate of $7,298,017 from reinsurance premiums due to favourable experience during the past three years. This rebate was offset against amounts ceded, thus significantly reducing the ceded amount.

Note 10 Crop Reinsurance Funds

The provincial fund, called the Crop Reinsurance Fund of Alberta, is invested by the Corporation on behalf of the Province of Alberta and, accordingly, is shown as a liability of the Corporation to the Province. This liability of $53,518,000 (2000 $53,528,000) is equal to the closing surplus in the fund. The federal fund, called the Crop Reinsurance Fund of Canada for Alberta, is held by Canada.

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2001	2000	2001	2000
	(In thousands)		(In thousands)	
Opening surplus	$ 53,528	$ 53,564	$ 77,235	$ 77,306
Current year contributions	(10)	(36)	(9)	(71)
Closing surplus	$ 53,518	$ 53,528	$ 77,226	$ 77,235

Note 11 Debentures and Notes Payable

Debentures payable and notes payable to the Province of Alberta are comprised of the following:

	Calendar Year of Maturity	Weighted Average Interest Rate	Principal Outstanding 2001	Principal Outstanding 2000
			(In thousands)	
Debenture A	2004	9.95%	39,720	39,720
Debenture C	2005	–	–	28,000
Debenture D	2006	8.25%	48,500	48,500
Debenture E	2006 - 2007	7.41%	52,800	52,800
Debenture H	2010 - 2011	–	64,310	64,310
Debenture K	2011	–	30,135	30,135
Debenture L	2001 - 2002	7.37%	7,478	21,237
Total due to Alberta Heritage Savings and Trust Fund			284,702	284,702
Short-term notes	2000 - 2001	4.71%	28,718	148,218
Note payable 01	2011	7.56%	21,279	21,279
Note payable 02	2010	5.58%	46,973	46,973
Note payable 03	2013	5.39%	45,192	45,192
Note payable 04	2013	5.39%	32,164	32,164
Note payable 05	2016	6.52%	98,923	98,923
Note payable 06	2010	5.90%	97,796	–
Note payable 07	2016	5.94%	34,890	–
Note payable 08	2016	5.86%	49,287	–
Note payable 09	2011	5.57%	149,576	–
Note payable 10	2005	5.23%	28,000	–
Note payable 11	2003	4.81%	25,423	–
Note payable 12	2004	5.05%	18,963	–
Total due to Department of Finance			669,815	392,749
Accrued interest			764,611	677,451
			12,797	7,438
			$ 777,408	$ 684,889

Notes Payable include net unamortized discounts of $3,125,778 (2000 $5,573,228).

Principal repayments due in each of the next five years are as follows:

	(in thousands)
Year ending March 31, 2002	$ 157,713
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The approximate fair value at March 31, 2001 is $779,103,000 (2000 $685,005,000). Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

(a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a premium for periodic interest reset features,

(c) a factor to reflect the blended payment structure of the debentures and notes.

Note 12 Deferred Revenue

	2001	2000
	(in thousands)	
Province of Alberta capital asset grants	[illegible]	$ 8,637
Government of Canada capital asset grants	[illegible]	6,057
Deferred Canada-Alberta Partnership on Agri-food (CAPA) contributions	[illegible]	3,382
Premiums from insured persons	[illegible]	1,591
	[illegible]	$ 19,667

Note 13 Premiums

Because the balances in the crop insurance and reinsurance funds are deemed adequate to cover potential losses, investment income earned on the Crop Insurance Fund and the Crop Reinsurance Fund of Alberta were used to provide a 30% reduction in producers' premiums for the 2000 crop year which amounted to $16,455,664. The reduction will be repeated for the 2001 crop year.

Note 14 Reinsurance

In addition to the protection provided by the crop insurance and crop reinsurance funds and the hail insurance fund, the Corporation has obtained reinsurance from non-government sources. For Crop Insurance, reinsurance was obtained covering 100% of losses between 115% and 180% of gross premiums with a maximum dollar limit of $117,000,000.

The Corporation has also obtained reinsurance for above average crop loss adjusting expenses.

For Hail Insurance, a layer of reinsurance was obtained which covers 97.5% of losses between 125% and 150% of gross premiums paid by insured persons with a dollar limit of $6,337,500.

The Contribution from Province of Alberta and Contribution from Government of Canada on the Statement of Revenue, Expense and Surplus include contributions for administration expenses as well as premiums. The figures shown on the Statement of Revenue, Expense and Surplus are net of the following amounts relating to reinsurance ceded to other reinsurers. The Corporation realized a rebate of $7,298,017 from reinsurance premiums due to favourable experience during the past three years. This rebate was offset against amounts ceded, thus significantly reducing the ceded amount.

	2001					2000
	Government Contributions	Ceded to Reinsurers	Net Contributions Retained by Corporation	Contribution for Administration Expenses	Net Premium Contributions	Net Premium Contributions
			(in thousands)			
Alberta	$ 52,356	$ (690)	$ 51,666	$ (9,786)	$ 41,880	$ 41,034
Canada	46,384	(412)	45,972	(9,786)	36,186	41,034
	Gross Premiums	Reinsurers	Net	Ceded to Reinsurers	Net Retained by Corporation	Net Retained by Corporation
Crop Insurance						
From Insureds	$ 53,696	$ (16,456)	$ 37,240	$ (880)	$ 36,360	$ 52,924
From Alberta	42,570	–	42,570	(690)	41,880	41,034
From Canada	35,568	–	35,568	(412)	35,156	41,034
Total	$ 131,834	$ (16,456)	$ 115,378	$ (1,992)	$ 113,386	$ 134,992
Indemnities	–	–	185,497	–	185,497	57,221
Hail Insurance						
Premiums from Insureds	$ 17,618	$ (1,888)	$ 16,092	$ (155)	$ 15,937	$ 13,639
Indemnities	–	–	32,308	(4,433)	27,875	10,888

Note 15 Interest Revenue

The Corporation does not recognize interest revenue on loans receivable where collection of the interest is in doubt (Note 2a). In 2001, certain loans which had been considered as impaired in previous years were no longer considered impaired. Therefore, unrecognized interest from previous years on these loans was recognized in 2001. These recoveries of interest in 2001 exceeded unrecognized revenue for the year by $930,834. In 2000, unrecognized revenue exceeded recoveries for the year by $443,000.

Note 16 Pensions

The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $973,750 for the year ending March 31, 2001 (2000 $854,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000.

Note 17 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable	Loans Receivable	Property Held for Sale	Loan Guarantees	Total
	(Note 4)	(Note 5)	(Note 7)	(Note 18)	
		(in thousands)			
Allowances at March 31, 1999	$ 353	$ 23,420	$ 587	$ 3,140	$ 27,500
Transfers to property for sale in 1999-00	–	(232)	232	–	–
Provision for 1999-00	32	6,463	390	(491)	6,394
Write-offs in 1999-00, net of recoveries	(191)	(3,567)	(371)	–	(4,129)
Allowances at March 31, 2000	194	26,084	838	2,649	29,765
Transfer to property for sale in 2000-01	–	(533)	533	–	–
Provision for 2000-01	(79)	(707)	(422)	(688)	(1,896)
Write-offs in 2000-01, net of recoveries	18	(391)	(96)	–	(469)
Allowances at March 31, 2001	$ 133	$ 24,453	$ 853	$ 1,961	$ 27,400

Note 18 Contingencies and Commitments

	2000
	(in thousands)
Loan guarantees	$ 58,560
Less allowance for losses (Note 17)	(2,649)
Total contingencies	$ 55,911
Estimated farm loan incentives	$ 15,459
Approved, undisbursed loans	35,411
Reinsurance	10,270
Total commitments	$ 61,140

Contingencies under the Alberta Farm Development Loans program comprise $49,718,950 of the loan guarantees. Loans made by other financial institutions outstanding under this program at March 31, 2001 were $126,186,318 (2000 $149,264,000).

There are legal actions outstanding against the Corporation but it is expected that these actions will not result in significant costs to the Corporation.

	2001					2000
	Government Contributions	Ceded to Reinsurers	Net Contributions Retained by Corporation	Contribution for Administration Expenses	Net Premium Contributions	Net Premium Contributions
			(in thousands)			
Alberta	$ 52,356	$ (690)	$ 51,666	$ (9,786)	$ 41,880	$ 41,034
Canada	45,354	(412)	44,942	(9,786)	35,156	41,034

	Gross Premiums	Rebates	Net	Ceded to Reinsurers	Net Retained by Corporation	Net Retained by Corporation
Crop Insurance						
From Insureds	$ 53,696	$ (16,456)	$ 37,240	$ (890)	$ 36,350	$ 52,924
From Alberta	42,570	–	42,570	(690)	41,880	41,034
From Canada	35,568	–	35,568	(412)	35,156	41,034
Total	$ 131,834	$ (16,456)	$ 115,378	$ (1,992)	$ 113,386	$ 134,992
Indemnities	–	–	155,497	–	155,497	57,221
Hail Insurance						
Premiums from Insureds	$ 17,618	$ (1,526)	$ 16,092	$ (155)	$ 15,937	$ 13,639
Indemnities	–	–	32,308	(4,433)	27,875	10,888

Note 15 Interest Revenue

The Corporation does not recognize interest revenue on loans receivable where collection of the interest is in doubt (Note 2a). In 2001, certain loans which had been considered as impaired in previous years were no longer considered impaired. Therefore, unrecognized interest from previous years on these loans was recognized in 2001. These recoveries of interest in 2001 exceeded unrecognized revenue for the year by $930,834. In 2000, unrecognized revenue exceeded recoveries for the year by $443,000.

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The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $973,750 for the year ending March 31, 2001 (2000 $854,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000.

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	(Note 4)	(Note 5)	(Note 7)	(Note 18)	
		(in thousands)			
Allowances at March 31, 1999	$ 353	$ 23,420	$ 587	$ 3,140	$ 27,500
Transfers to property for sale in 1999-00	-	(232)	232		
Provision for 1999-00	32	6,463	390	(491)	6,394
Write-offs in 1999-00, net of recoveries	(191)	(3,567)	(371)		(4,129)
Allowances at March 31, 2000	194	26,084	838	2,649	29,765
Transfer to property for sale in 2000-01	-	(533)	533		
Provision for 2000-01	(79)	(707)	(422)	(688)	(1,896)
Write-offs in 2000-01, net of recoveries	18	(391)	(96)		(469)
Allowances at March 31, 2001	$ 133	$ 24,453	$ 853	$ 1,961	$ 27,400

Note 18 Contingencies and Commitments

	2001	2000
	(in thousands)	
Loan guarantees	**$ 56,953**	$ 58,560
Less allowance for losses (Note 17)	**(1,961)**	(2,649)
Total contingencies	**$ 54,992**	$ 55,911
Estimated farm loan incentives	**$ 18,639**	$ 15,459
Approved, undisbursed loans	**38,907**	35,411
Reinsurance	**37,525**	10,270
Total commitments	**$ 95,071**	$ 61,140

Contingencies under the Alberta Farm Development Loans program comprise $49,718,950 of the loan guarantees. Loans made by other financial institutions outstanding under this program at March 31, 2001 were $126,186,318 (2000 $149,264,000).

There are legal actions outstanding against the Corporation but it is expected that these actions will not result in significant costs to the Corporation.

Note 19 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies.

Lending staff manage the Corporation's significant credit risk exposure in the beginning and developing agricultural business loans by monitoring accounts very closely. This enables the Corporation to counsel owners of businesses to take quick action if problems start to occur and enables the Corporation to take prompt action to realize on its security. Security requirements for individual loans reflect the degree of risk in each particular operation. Businesses needing specialized and customized equipment, or those involved with new and emerging segments of agriculture, are required to have significantly higher security margins than enterprises in more traditional parts of agriculture. Although these measures do not eliminate the risk, they do reduce the risk of significant losses if there is a province-wide economic downturn in the agri-industry.

The Corporation, through its reinsurance broker, monitors the concentration of credit risk for the insurance contract it holds with each reinsurer (see Note 14) and evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored by insurance staff and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates has on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of loans made as closely as practical. Longer term repayments are partially financed by funding other than debt.

Interest rates are fixed for the life of Beginning Farmer loans, the major portion of the Corporation's loan portfolio. The Corporation does not set these rates to reflect the cost of money in the market. To maintain the current interest rate for future Beginning Farmer loans if there are significant increases in market interest rates, increases in the contribution from the Province will be required.

The following provides a breakdown of the gaps between the debentures and notes payable and the loan portfolio. The gap analysis includes an adjustment for expected repayments based on historical patterns.

	Term to Maturity				Not Interest Rate Sensitive	2001	2000
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
	(in thousands)						(Restated)
Direct farm loans	$ 51,230	$ 222,837	$ 250,902	$ 238,220	$ 11,654	**$ 774,843**	$ 679,441
Yield	7.45%	7.40%	7.34%	7.43%	–	**7.39%**	7.49%
Commercial loans	$ 4,425	$ 14,786	$ 9,032	$ 2,595	$ 1,555	**$ 32,393**	$ 30,761
Yield	8.40%	8.58%	8.52%	8.35%	–	**8.52%**	7.78%
Total	$ 55,655	$ 237,623	$ 259,934	$ 240,815	$ 13,209	**$ 807,236**	$ 710,202
Yield	7.53%	7.47%	7.38%	7.44%	–	**7.44%**	7.51%
Debentures & notes payable Province of Alberta	$ 157,713	$ 251,936	$ 244,877	$ 113,496	$ 9,386	**$ 777,408**	$ 684,889
Yield	7.04%	5.60%	5.81%	5.98%	–	**5.85%**	6.33%
Net gap before prepayment adjustment	$ (102,058)	$ (14,313)	$ 15,057	$ 127,319	$ 3,823	**$ 29,828**	$ 25,313
Estimated prepayment	32,687	60,703	(13,777)	(79,613)	–	–	–
Net gap	$ (69,371)	$ 46,390	$ 1,280	$ 47,706	$ 3,823	**$ 29,828**	$ 25,313

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2001. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2001 an immediate and sustained increase in interest rates of 1% would increase net interest paid by $207,369 and would decrease the net fair market value of loans and financing for the next fiscal year by $28,120,596 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net interest paid and would increase the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The Corporation's Investment Policy is set with terms that attempt to anticipate the expected future cash flows of the Crop Insurance and Hail Insurance funds. The expected future cash flows are based on historical information modified for current factors that may impact historical results.

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity				2001	2000
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Total
	(in thousands)					
Bonds and debentures	$ 23,586	$ 293,970	$ 15,030	$ 7,007	$ 339,593	$ 373,991
Yield	4.85%	5.84%	6.27%	5.88%	5.79%	5.74%
Securities:						
Corporate	-	66,212	-	-	66,212	57,097
Yield	-	6.55%	-	-	6.55%	6.55%
	23,586	360,182	15,030	7,007	405,805	431,088
Accrued interest	331	5,255	284	127	5,997	8,005
	$ 23,917	$ 365,437	$ 15,314	$ 7,134	$ 411,802	$ 439,093

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For debentures and notes payable, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the long term debt. The interest rates are fixed for either a five year period or until maturity. Repayment is either by semi-annual or annual installments of principal. The Provincial Treasurer may permit all or part of debentures to be redeemed by the issuer prior to maturity without penalty and the Corporation will redeem debentures when cash flow is adequate and the Provincial Treasurer authorizes redemption. For investments, term to maturity classifications are based on contractual maturity of the security.

(2) Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

(3) For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For debentures and notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Note 20 Related Party Transactions

Sufficient information is provided throughout the statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2001	2000
	(in thousands)	
Interest expense - Province of Alberta	$ 52,484	$ 46,822
Administration expense - Province of Alberta	2,425	1,390
Investment income - Province of Alberta	-	171

Note 21 Comparative Figures

The 2000 figures have been reclassified where necessary to conform to 2001 presentation.

Note 19 Credit Risk and Interest Risk

(a) *Credit Risk*

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies.

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Interest rate risk is the impact future changes of interest rates has on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of loans made as closely as practical. Longer term repayments are partially financed by funding other than debt.

Interest rates are fixed for the life of Beginning Farmer loans, the major portion of the Corporation's loan portfolio. The Corporation does not set these rates to reflect the cost of money in the market. To maintain the current interest rate for future Beginning Farmer loans if there are significant increases in market interest rates, increases in the contribution from the Province will be required.

The following provides a breakdown of the gaps between the debentures and notes payable and the loan portfolio. The gap analysis includes an adjustment for expected repayments based on historical patterns.

	Term to Maturity[1]				Not[2] Interest	2001	2000
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Rate Sensitive	Total	Total (Restated)
	(in thousands)						
Direct farm loans	$ 51,230	$ 222,837	$ 250,902	$ 238,220	$ 11,654	$ 774,843	$ 679,441
Yield[3]	7.45%	7.40%	7.34%	7.43%	–	7.39%	7.49%
Commercial loans	$ 4,425	$ 14,786	$ 9,032	$ 2,595	$ 1,555	$ 32,393	$ 30,761
Yield[3]	8.40%	8.58%	8.52%	8.35%	–	8.52%	7.78%
Total	$ 55,655	$ 237,623	$ 259,934	$ 240,815	$ 13,209	$ 807,236	$ 710,202
Yield[3]	7.53%	7.47%	7.38%	7.44%	–	7.44%	7.51%
Debentures & notes payable Province of Alberta	$ 157,713	$ 251,936	$ 244,877	$ 113,496	$ 9,386	$ 777,408	$ 684,889
Yield[3]	7.04%	5.60%	5.81%	5.98%	–	5.85%	6.33%
Net gap before prepayment adjustment	$ (102,058)	$ (14,313)	$ 15,057	$ 127,319	$ 3,823	$ 29,828	$ 25,313
Estimated prepayment	32,687	60,703	(13,777)	(79,613)	–	2	–
Net gap	$ (69,371)	$ 46,390	$ 1,280	$ 47,706	$ 3,823	$ 29,830	$ 25,313

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2001. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2001 an immediate and sustained increase in interest rates of 1% would increase net interest paid by $207,369 and would decrease the net fair market value of loans and financing for the next fiscal year by $28,120,596 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net interest paid and would increase the net fair market value of loans and financing by a similar amount over the same period.

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(2) Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

(3) For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For debentures and notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Note 20 Related Party Transactions

Sufficient information is provided throughout the statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2001	2000
	(In thousands)	
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Administration expense - Province of Alberta	2,425	1,390
Investment income - Province of Alberta	–	171

Note 21 Comparative Figures

The 2000 figures have been reclassified where necessary to conform to 2001 presentation.

Schedule of Revenue, Expense *and* Surplus

[redacted]

(in thousands)

	[redacted]	2000	[redacted]	2000	[redacted]	2000
	[redacted] Crop Insurance	Crop Insurance	[redacted] Farm Income Disaster	Farm Income Disaster	[redacted] Beginning Farmer Lending	Beginning Farmer Lending
Revenue						
Premiums from insured persons, net (Notes 13, 14)	[redacted]	$ 52,924	[redacted]	$ –	[redacted]	$ –
Interest (Note 15)	[redacted]	345	[redacted]	23	[redacted]	44,367
Contribution from Province of Alberta, net (Note 14)	[redacted]	50,121	[redacted]	132,062	[redacted]	10,758
Contribution from Government of Canada, net (Note 14)	[redacted]	50,121	[redacted]	102,569	[redacted]	–
Investment income	[redacted]	17,328	[redacted]	362	[redacted]	376
Fees and other income	[redacted]	307	[redacted]	1,302	[redacted]	1,487
Amortization of loan discounts	[redacted]	–	[redacted]	–	[redacted]	638
	[redacted]	171,146	[redacted]	236,318	[redacted]	57,626
Expense						
Indemnities (Note 14)	[redacted]	57,221	[redacted]	231,413	[redacted]	–
Interest	[redacted]	–	[redacted]	–	[redacted]	41,015
Administration, Schedule 2	[redacted]	18,477	[redacted]	4,905	[redacted]	8,490
Farm loan incentives	[redacted]	–	[redacted]	–	[redacted]	4,319
Selling commissions	[redacted]	–	[redacted]	–	[redacted]	–
Provision for doubtful accounts and for losses (Note 17)	[redacted]	(20)	[redacted]	–	[redacted]	3,802
	[redacted]	75,678	[redacted]	236,318	[redacted]	57,626
(Deficiency) excess of revenue over expense before recoveries	[redacted]	95,468	[redacted]	–	[redacted]	–
Recoverable (by) from Government of Canada	[redacted]	–	[redacted]	–	[redacted]	–
Recoverable (by) from Province of Alberta	[redacted]	–	[redacted]	–	[redacted]	–
	[redacted]	–	[redacted]	–	[redacted]	–
(Deficit) surplus for the year	[redacted]	95,468	[redacted]	–	[redacted]	–
Surplus at beginning of year	[redacted]	252,199	[redacted]	–	[redacted]	–
Surplus at end of year	[redacted]	$ 347,667	[redacted]	$ –	[redacted]	$ –

2001 Hail Insurance	2000 Hail Insurance	2001 Commercial Lending	2000 Commercial Lending	2001 Wildlife Comp.	2000 Wildlife Comp.	2001 Other	2000 Other	2001 Total	2000 Total
$ 15,937	$ 13,639	$ –	$ –	$ –	$ –	$ –	$ –	$ 52,287	$ 66,563
87	115	2,615	1,573	–	–	5,151	4,223	57,620	50,646
–	–	1,950	4,137	3,543	1,378	4,042	3,960	76,542	202,416
–	–	3	43	2,456	818	11	18	61,433	153,569
2,953	2,687	247	8	93	32	211	119	79,988	20,912
406	410	302	465	31	24	416	469	2,924	4,464
–	–	142	342	–	–	354	101	548	1,081
19,383	16,851	5,259	6,568	6,123	2,252	10,185	8,890	280,342	499,651
27,875	10,888	–	–	5,874	2,065	–	137	205,855	301,724
–	–	1,722	2,160	–	–	5,060	3,647	53,251	46,822
2,086	1,667	2,955	3,018	249	187	3,203	2,643	43,588	39,387
–	–	–	–	–	–	2,010	1,318	6,966	5,637
1,877	1,611	–	–	–	–	–	–	1,877	1,611
(8)	26	582	1,390	–	–	(186)	1,196	(1,896)	6,394
31,830	14,192	5,259	6,568	6,123	2,252	10,087	8,941	309,641	401,575
(12,447)	2,659	–	–	–	–	98	(51)	(29,299)	98,076
–	–	–	–	–	–	(57)	21	(57)	21
–	–	–	–	–	–	(79)	30	(79)	30
–	–	–	–	–	–	(136)	51	(136)	51
(12,447)	2,659	–	–	–	–	(38)	–	(29,435)	98,127
60,167	57,508	–	–	–	–	–	–	407,834	309,707
$ 47,720	$ 60,167	$ –	$ –	$ –	$ –	$ (38)	$ –	$ 378,399	$ 407,834

Schedule of Revenue, Expense *and* Surplus

For the year ended March 31, 2001

(in thousands)

	2001	2000	2001	2000	2001	2000
	Crop Insurance	Crop Insurance	**Farm Income Disaster**	Farm Income Disaster	**Beginning Farmer Lending**	Beginning Farmer Lending
Revenue						
Premiums from insured persons, net (Notes 13, 14)	**$ 36,350**	$ 52,924	**$ –**	$ –	**$ –**	$ –
Interest (Note 15)	**238**	345	**22**	23	**49,507**	44,367
Contribution from Province of Alberta, net (Note 14)	**51,666**	50,121	**6,332**	132,062	**8,009**	10,758
Contribution from Government of Canada, net (Note 14)	**44,942**	50,121	**14,021**	102,569	**–**	–
Investment income	**24,879**	17,328	**1,463**	362	**142**	376
Fees and other income	**138**	307	**626**	1,302	**1,005**	1,487
Amortization of loan discounts	**–**	–	**–**	–	**52**	638
	158,213	171,146	**22,464**	236,318	**58,715**	57,626
Expense						
Indemnities (Note 14)	**155,497**	57,221	**16,609**	231,413	**–**	–
Interest	**–**	–	**–**	–	**46,469**	41,015
Administration, Schedule 2	**19,709**	18,477	**5,855**	4,905	**9,531**	8,490
Farm loan incentives	**–**	–	**–**	–	**4,956**	4,319
Selling commissions	**–**	–	**–**	–	**–**	–
Provision for doubtful accounts and for losses (Note 17)	**(43)**	(20)	**–**	–	**(2,241)**	3,802
	175,163	75,678	**22,464**	236,318	**58,715**	57,626
(Deficiency) excess of revenue over expense before recoveries	**(16,950)**	95,468	**–**	–	**–**	–
Recoverable (by) from Government of Canada	**–**	–	**–**	–	**–**	–
Recoverable (by) from Province of Alberta	**–**	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
(Deficit) surplus for the year	**(16,950)**	95,468	**–**	–	**–**	–
Surplus at beginning of year	**347,667**	252,199	**–**	–	**–**	–
Surplus at end of year	**$ 330,717**	$ 347,667	**$ –**	$ –	**$ –**	$ –

2001 Hail Insurance	2000 Hail Insurance	2001 Commercial Lending	2000 Commercial Lending	2001 Wildlife Comp.	2000 Wildlife Comp.	2001 Other	2000 Other	2001 Total	2000 Total
$ 15,937	$ 13,639	$ –	$ –	$ –	$ –	$ –	$ –	$ 52,287	$ 66,563
87	115	2,615	1,573	–	–	5,151	4,223	57,620	50,646
–	–	1,950	4,137	3,543	1,378	4,042	3,960	75,542	202,416
–	–	3	43	2,456	818	11	18	61,433	153,569
2,953	2,687	247	8	93	32	211	119	29,988	20,912
406	410	302	465	31	24	416	469	2,924	4,464
–	–	142	342	–	–	354	101	548	1,081
19,383	16,851	5,259	6,568	6,123	2,252	10,185	8,890	280,342	499,651
27,875	10,888	–	–	5,874	2,065	–	137	205,855	301,724
–	–	1,722	2,160	–	–	5,060	3,647	53,251	46,822
2,086	1,667	2,955	3,018	249	187	3,203	2,643	43,588	39,387
–	–	–	–	–	–	2,010	1,318	6,966	5,637
1,877	1,611	–	–	–	–	–	–	1,877	1,611
(8)	26	582	1,390	–	–	(186)	1,196	(1,896)	6,394
31,830	14,192	5,259	6,568	6,123	2,252	10,087	8,941	309,641	401,575
(12,447)	2,659	–	–	–	–	98	(51)	(29,299)	98,076
–	–	–	–	–	–	(57)	21	(57)	21
–	–	–	–	–	–	(79)	30	(79)	30
–	–	–	–	–	–	(136)	51	(136)	51
(12,447)	2,659	–	–	–	–	(38)		(29,435)	98,127
60,167	57,508	–	–	–	–	–		407,834	309,707
$ 47,720	$ 60,167	$ –	$ –	$ –	$ –	$ (38)	$	$ 378,399	$ 407,834

Schedule of Administration Expense

For the year ended March 31, 2001

(in thousands)

	2001 Budget (Note 3(a))	2001 Actual	2000 Actual
Salaries and benefits (Note 16)	$ 22,414	$ 22,264	$ 19,353
Contracted services	3,246	4,547	3,954
Adjusters' wages and benefits	3,646	3,784	3,412
Travel and automobile	2,563	2,845	2,473
Amortization of capital assets	2,635	2,718	2,536
Office accommodation costs	2,814	2,665	2,494
Stationery and supplies	928	1,017	1,027
Data processing	1,079	854	1,133
Telecommunications	1,060	626	692
Professional services	521	524	404
Equipment, rental and maintenance	557	366	433
Advertising	493	331	482
Postage and freight	211	307	226
Training, meetings, seminars, conferences	477	294	294
Directors' fees and expenses	302	272	292
Insurance	100	89	88
Grain grading	79	62	43
Collection commissions	65	15	39
Bank charges	26	8	12
	$ 43,216	$ 43,588	$ 39,387

Schedule of Salaries and Benefits

For the year ended March 31, 2001

(in thousands)

	2001			2000
	Salary and Wages[1]	Benefits and Allowances[2]	Total	Total (Restated)
Chair	$ 44	$ –	$ 44	$ 48
Board members	157	4	161	154
President and Managing Director	127	80	207	181
Vice President, Field Operations	116	47	163	144
Vice President, Finance and Administration	116	41	157	141
Vice President, Research, Information and Development	116	52	168	140
Vice President, Information Technology and Administrative Services	107	36	143	45[4]

(1) Salary and wages are fees for Chair and Board members and regular base pay for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, flexible health, dental and vision care allowance, group life insurance, pensions, employment insurance, accidental death/dismemberment and long term disability insurance, workers' compensation, professional memberships and vacation payouts. No amount is included in benefits and allowances for an automobile provided to the President and Managing Director. The benefits and allowances include achievement bonus for the fiscal year 2000/01.

(3) Salary and benefits total for 2000 has been restated to include an achievement bonus for the year 1999/00.

(4) Employment commenced on November 22, 1999. Salary and benefits are for the period November 22, 1999 to March 31, 2000.

Schedule of Administration Expense

For the year ended March 31, 2001

(in thousands)

	2001 Budget (Note 3(d))	2001 Actual	2000 Actual
Salaries and benefits (Note 16)	$ 22,414	$ 22,364	$ 19,353
Contracted services	3,246	4,547	3,954
Adjusters' wages and benefits	3,646	3,784	3,412
Travel and automobile	2,663	2,846	2,473
Amortization of capital assets	2,636	2,718	2,536
Office accommodation costs	2,814	2,665	2,494
Stationery and supplies	928	1,017	1,027
Data processing	1,079	864	1,133
Telecommunications	1,060	626	692
Professional services	521	524	404
Equipment, rental and maintenance	557	366	433
Advertising	493	331	482
Postage and freight	211	307	226
Training, meetings, seminars, conferences	477	294	294
Directors' fees and expenses	302	272	292
Insurance	100	89	88
Grain grading	79	62	43
Collection commissions	65	15	39
Bank charges	25	8	12
	$ 43,216	$ 43,508	$ 39,387

Schedule of Salaries *and* Benefits

For the year ended March 31, 2001

(in thousands)

	2001			2000
	Salary and Wages[1]	Benefits and Allowances[2]	Total	Total[3] (Restated)
Chair	$ 44	$ –	$ 44	$ 48
Board members	157	4	161	154
President and Managing Director	127	80	207	181
Vice President, Field Operations	116	47	163	144
Vice President, Finance and Administration	116	41	157	141
Vice President, Research, Information and Development	116	52	168	140
Vice President, Information Technology and Administrative Services	107	36	143	45[4]

(1) Salary and wages are fees for Chair and Board members and regular base pay for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, flexible health, dental and vision care allowance, group life insurance, pensions, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation, professional memberships and vacation payouts. No amount is included in benefits and allowances for an automobile provided to the President and Managing Director. The benefits and allowances include achievement bonus for the fiscal year 2000/01.

(3) Salary and benefits total for 2000 has been restated to include an achievement bonus for the year 1999/00.

(4) Employment commenced on November 22, 1999. Salary and benefits are for the period November 22, 1999 to March 31, 2000.